

OAKLAND INTERNATIONAL ACADEMY
Detroit, Michigan

FINANCIAL STATEMENTS
JUNE 30, 2008

Oakland International Academy
Detroit, Michigan
June 30, 2008

Board of Directors

| | |
|----------------------|----------------|
| Dr. Alaa Elmoursi | President |
| Dr. Ismat Abu-Isa | Vice-President |
| Dr. Khalid Almasmari | Secretary |
| Mr. Jalal Jawany | Treasurer |
| Mr. Taha Alhumdi | Member |
| Mr. Najim Ahmed | Member |
| Dr. Ahmed Elbohy | Member |

Administration

| | |
|------------------|------------------------------------|
| Debra Abdulhamid | Board Liaison Officer |
| Saima Khalil | Assistant Board Liaison Officer |

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | |
| Management's Discussion and Analysis | 1 |
| Basic Financial Statements | 8 |
| Academy Wide Statement of Net Assets | 9 |
| Academy Wide Statement of Activities | 10 |
| Governmental Funds Balance Sheet | 11 |
| Reconciliation of Balance Sheet of Governmental Funds to Net Assets | 12 |
| Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances | 13 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 14 |
| Statement of Fiduciary Net Assets | 15 |
| Notes to the Financial Statements | 16 |
| Required Supplemental Information | 25 |
| Budgetary Comparison | 26 |
| Other Supplemental Information | 27 |
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 28 |
| Report on Compliance with Requirement Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 31 |
| Schedule of Expenditures of Federal Awards | 34 |
| Notes to Schedule of Expenditures of Federal Awards | 35 |
| Schedule of Findings and Questioned Costs | 36 |



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Cardner
Giacomo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

December 1, 2008

To The Board of Directors
Oakland International Academy
Detroit, Michigan

We have audited the accompanying financial statements of the governmental activities of Oakland International Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Oakland International Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

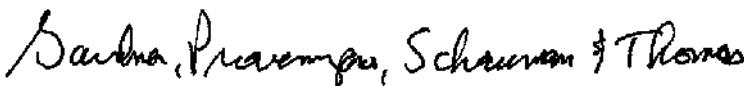
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Oakland International Academy as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To The Board of Directors
Page Two
December 1, 2008

In accordance with Government Auditing Standards, we have also issued a report dated December 1, 2008 on our consideration of Oakland International Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oakland International Academy's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Oakland International Academy. The required supplemental information is required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information, the other supplemental information and schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**OAKLAND INTERNATIONAL ACADEMY
MANAGEMENT'S DISCUSSION & ANALYSIS (Unaudited)**

Introduction

This section of the annual financial report presents management's discussion and analysis of Oakland International Academy's financial results for the fiscal year ended June 30, 2008. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of the Academy.

Academy Wide Financial Statements

The Academy Wide Financial Statements appear first and report all assets and liabilities using the accrual basis of accounting, similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statement of activities covers all of the Academy's services including instruction and support services which are financed through Unrestricted State Aid and State and Federal grants. In addition, revenue less expense results in net assets, which can either increase or decrease on an annual basis.

Fund Financial Statements

The Fund Financial Statements are reported on a modified accrual basis and are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual. The Academy uses funds to help control and manage money for specific purposes or to meet legal responsibilities for certain grants. Funds provide a detailed short-term view of the operations and services of the Academy, show how money flows through and out of funds, and the balances left at year-end. Reviewing the funds helps the reader consider whether the Academy is accountable for the resources taxpayers and others provide and gives insight into the Academy's overall financial health.

The relationship between governmental activities (Academy Wide Financial Statements) and governmental fund activities (Fund Financial Statements) will be reconciled later in the report.

Agency and Trust Accounts

The Academy acts as a trustee for the Parent Involvement Committee funds. These net assets are excluded from the Academy's other financial statements since these assets cannot be used to finance any of the Academy's operations. The Academy's responsibility is to ensure that the reported assets are used for their intended purpose.

OAKLAND INTERNATIONAL ACADEMY
MANAGEMENT'S DISCUSSION & ANALYSIS (Unaudited)

Condensed Financial Statements
Analysis of Overall Financial Position and Results of Operations

The Academy's net assets at June 30, 2008 and 2007 are summarized below.

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | \$ 888,346 | \$ 951,564 |
| Capital assets - net of accumulated depreciation | 887,064 | 266,846 |
| Total Assets | <u>\$ 1,775,410</u> | <u>\$ 1,218,410</u> |
| Liabilities | | |
| Current liabilities | \$ 663,613 | \$ 662,365 |
| Long-term liabilities | 522,000 | - |
| Total Liabilities | <u>\$ 1,185,613</u> | <u>\$ 662,365</u> |
| Net assets | | |
| Invested in capital assets net of related debt | \$ 365,064 | \$ 266,846 |
| Unrestricted | 224,733 | 289,199 |
| Total Net Assets | <u>\$ 589,797</u> | <u>\$ 556,045</u> |

- "Capital Assets net of accumulated depreciation" totaling \$887,064 were computed by taking the original cost of the assets and subtracting the depreciation.
- "Unrestricted net assets" of \$224,733 represent the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

**OAKLAND INTERNATIONAL ACADEMY
MANAGEMENT'S DISCUSSION & ANALYSIS (Unaudited)**

**Condensed Financial Statements
Analysis of Overall Financial Position and Results of Operations (cont.)**

The results of operations for the Academy as a whole for the years ended June 30, 2008 and 2007 are reported below.

| | <u>2008</u> | <u>2007</u> |
|-----------------------------------|------------------|-------------------|
| Revenue | | |
| Program revenue | | |
| Grants and categoricals | \$ 993,792 | \$ 826,505 |
| General revenue | | |
| State foundation allowance | 3,523,266 | 3,171,126 |
| Other | 14,625 | 67,323 |
| Total revenue | <u>4,531,683</u> | <u>4,064,954</u> |
| Function/Program expenses | | |
| Instruction | 1,780,340 | 1,198,865 |
| Support services | 2,273,881 | 2,448,300 |
| Community services | 29,813 | 3,104 |
| Transportation | 12,975 | 10,259 |
| Facilities | 116,588 | 53,853 |
| Interest | 10,190 | - |
| Food services | 274,144 | 200,383 |
| Total expenses | <u>4,497,931</u> | <u>3,914,764</u> |
| Increase (decrease) in net assets | <u>\$ 33,752</u> | <u>\$ 150,190</u> |

- Revenues of the Academy for the year totaled \$4,531,683.
- Revenues increased over the prior year by approximately \$466,729. This increase was due to an increase in enrollment, a per-pupil increase in the State Foundation Allowance and an increase in the number of students eligible for free and reduced lunch. The increase in those students made the Academy eligible to receive more Federal Title funds than it had received in the previous year.
- The cost of government activities for the year totaled \$4,497,931.
- Funding for the above activities comes from a variety of sources. Some activities are partially funded by grants and categoricals from the State and Federal governments. The remaining activities are paid for with the State Foundation Allowance and other revenues.
- Total expenses increased over the prior year by approximately \$583,167. This increase was due to the increased costs of serving more students, continued building renovations and maintenance requirements, the establishment of a lunch program for intermediate school students, and expenses associated with the building project.
- The Academy had an increase in net assets of \$33,752. The general fund balance decreased by \$64,466. The difference is due to the effect of depreciation of capital assets and the fact that purchases of capital assets are expenditures in the general fund, but do not affect results of operations in the Academy Wide financial statements.

**OAKLAND INTERNATIONAL ACADEMY
MANAGEMENT'S DISCUSSION & ANALYSIS (Unaudited)**

Budget Highlights

Oakland International Academy's budget was developed according to the Uniform Budget Act of the State of Michigan requirements. The Act requires that the original budget for the upcoming fiscal year be approved prior to July 1; the start of the fiscal year. During the fiscal year ended June 30, 2008, the Academy amended the budget on June 19, 2008. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. A discussion of the changes to the Academy's original budget and final amended amounts is provided below.

General Fund

The General Fund is the primary operating fund for the Academy. For fiscal year ending June 30, 2008, the fund decreased by \$64,466. This decrease is less than the final budgeted increase in fund balance of \$10,112.

Original vs. Final Amended Budget

Budgets are revised as changes in revenue and expenditures occur. Approximately 85% of the Academy's revenue comes from the State through a Foundation Allowance and Categoricals (specific program grants). The State Foundation Allowance is based on student enrollment and an amount per pupil designated by the State. Therefore, the budget is primarily based on an estimate of the student population including the following September count, the per-pupil amount set by the State, and an estimate of the categoricals that will be approved by the State.

State law requires that budgets be amended to ensure that expenditures do not exceed appropriations. Original and final budgets, as well as actual amounts paid and received, are included in the required supplemental information.

Revenue

When establishing the 2007/2008 revenue budget in June with a beginning fiscal date of July 1, only estimates could be used, as there were a number of budget factors that had not yet been determined. These factors included potential increases or decreases in per pupil funding and fluctuations with student enrollment, depending upon the ability to expand the size of the facilities. The budget was set in June under the assumption that a new building would be ready to open in September 2007 to house grades 4 through 6 at a new location on Conant St. The school was planning to close on a \$1.28M bank loan by the end of the summer. The loan never closed and a \$272,000 interest-only bank loan was taken the first of January to help defray sitework costs and new furniture/equipment. A \$250,000 promissory note with EMAN, the school's management company, was entered into for 3 years, interest-free, in exchange for one additional year to the management contract. The budget was adjusted to account for these unexpected changes.

**OAKLAND INTERNATIONAL ACADEMY
MANAGEMENT'S DISCUSSION & ANALYSIS (Unaudited)**

Original vs. Final Amended Budget (cont.)

Revenue (cont.)

- The amount of Federal Grant money increased from an estimated \$350,000 to \$457,057 due to increased enrollment and an increase in the number of students who were eligible for Free/Reduced Lunches. The free/reduced lunch number of eligible students triggers the amount of Title funds available to the district. The increase in the number of these students resulted in greater needs and funding from Federal funds.
- Unrestricted State Aid increased due to increased enrollment.

Expense

The final expenditure budget was adjusted for the following reasons:

- Business expenses increased due to the school's involvement in contracts for building renovations and land purchase projects.
- Increased costs were incurred due to the lack of a gym facility for grades 6-12. Bussing services and gym rental were paid for from the General Fund.
- A new lunch program was started for the intermediate building.
- Purchased Pupil Support Services increased due to additional staff being hired.
- Purchased Added Needs increased due to the addition of a third building and increased School population.
- Operations and Management, and Building Improvement expenses increased due to the unexpected additional costs of finishing the intermediate building.
- Majority of variance within instruction and support services can be attributed to the differences in how the expenses are grouped for budget purposes and for accounting purposes.
- Business costs also increased due to the school beginning to plan for a new high school building in 2008-2009.

The balance of variance results from adjustments to several individual expenditure line items and is not considered significant by management.

Final Budget vs. Actual

Revenue

- There were no variances that were considered significant by management.

Expense

- Majority of variance within instruction and support services can be attributed to the differences in how the expenses are grouped for budget purposes and for accounting purposes.

**OAKLAND INTERNATIONAL ACADEMY
MANAGEMENT'S DISCUSSION & ANALYSIS (Unaudited)**

Long Term Debt

The Academy entered into an agreement with EMAN, it's management company, to borrow \$250,000 for 3 years, interest-free to help pay for the site work expenses as well as the new furniture/equipment needed to get the new building up and running. The Academy entered into an interest-only loan with City First Bank for \$272,000 to help pay for the cost of the site work and furniture-equipment for the new intermediate building as well.

Capital Assets

As of June 30, 2008, the Academy has \$887,064 in net capital assets. Capital assets include land, leasehold improvements, and furniture and equipment, less depreciation.

| | Cost | Accumulated Depreciation | 2008 Net Book Value | 2007 Net Book Value |
|-------------------------|-------------------|-----------------------------|------------------------|------------------------|
| Land | \$ 139,740 | \$ - | \$ 139,740 | \$ 100,550 |
| Leasehold improvements | 783,488 | (56,137) | 727,351 | 142,679 |
| Equipment and furniture | 39,757 | (19,784) | 19,973 | 23,617 |
| | <u>\$ 962,985</u> | <u>\$ (75,921)</u> | <u>\$ 887,064</u> | <u>\$ 266,846</u> |

Conditions Affecting Next Year's Budget

The school is in the process of opening a new building to house high school students for the 2008/2009 school year. The expanded facility will give an additional 14 classrooms, offices, gym and cafeteria. While additional students will increase the amount of State funding, expenses will also increase in the areas of contracted services, textbooks, teaching supplies and building maintenance costs. Creating additional space meeting State building code requirements will result in additional debt. Site work for Phase II will result in additional debt. Participation in the MPEFA State Aid Note Program has helped to meet those costs.

A contract was entered into with Innovative Modular Solutions to provide used modular buildings to create a school of 6 classrooms plus cafeteria and office space. The contract is a rental agreement with an option to purchase at any time. The school plans to purchase the modular buildings if and when a loan be secured. All of these factors create risk and make budget planning and management difficult.

**OAKLAND INTERNATIONAL ACADEMY
MANAGEMENT'S DISCUSSION & ANALYSIS (Unaudited)**

Requests for Information

This report is designed to provide our stakeholders and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Academy Board Office, Oakland International Academy, 4001 Miller St. Detroit, MI 48211.

BASIC FINANCIAL STATEMENTS

OAKLAND INTERNATIONAL ACADEMY
Academy Wide
Statement of Net Assets
June 30, 2008

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash | \$ 34,283 |
| Due from other governmental units | 759,927 |
| Prepaid expenses | 94,136 |
| Capital assets less accumulated depreciation | 887,064 |
| Total Assets | <u><u>\$ 1,775,410</u></u> |
| LIABILITIES | |
| Accounts payable | \$ 36,011 |
| Due to management company | 589,263 |
| Accrued liabilities | 1,432 |
| Revenue anticipation note | 24,406 |
| Deferred revenue | 12,501 |
| Long-term liabilities | |
| Notes payable, due in more than one year | 522,000 |
| Total Liabilities | <u><u>1,185,613</u></u> |
| NET ASSETS | |
| Invested in capital assets net of related debt | 365,064 |
| Unrestricted | 224,733 |
| Total Net Assets | <u><u>589,797</u></u> |
| Total Liabilities and Net Assets | <u><u>\$ 1,775,410</u></u> |

The accompanying notes are an integral part of these financial statements.

OAKLAND INTERNATIONAL ACADEMY
Academy Wide
Statement of Activities
For the Year Ended June 30, 2008

| Functions/Programs | Expenses | Program Revenues | | Governmental Activities |
|--------------------------------|---------------------|-------------------------|---------------------------------------|--|
| | | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets |
| Instruction | \$ 1,780,340 | \$ - | \$ 750,579 | \$ (1,029,761) |
| Support services | 2,273,881 | - | 12,993 | (2,260,888) |
| Community services | 29,813 | - | - | (29,813) |
| Transportation | 12,975 | - | - | (12,975) |
| Facilities | 116,588 | - | - | (116,588) |
| Interest | 10,190 | - | - | (10,190) |
| Food services | 274,144 | - | 230,220 | (43,924) |
| Totals | <u>\$ 4,497,931</u> | <u>\$ -</u> | <u>\$ 993,792</u> | <u>(3,504,139)</u> |
| General revenues: | | | | |
| State aid - unrestricted | | | | 3,523,266 |
| Other | | | | 14,625 |
| Total General Revenues | | | | <u>3,537,891</u> |
| Change in Net Assets | | | | 33,752 |
| Net Assets - Beginning of Year | | | | 556,045 |
| Net Assets - End of Year | | | | <u>\$ 589,797</u> |

The accompanying notes are an integral part of these financial statements.

OAKLAND INTERNATIONAL ACADEMY
Governmental Funds Balance Sheet
June 30, 2008

| | Governmental Fund Type | | | Totals |
|-------------------------------------|---------------------------|-----------------|---------------------|-------------------|
| | General | Food Service | Capital Projects | |
| <u>Assets</u> | | | | |
| Cash | \$ 34,283 | \$ - | \$ - | \$ 34,283 |
| Due from other governmental units | 759,927 | - | - | 759,927 |
| Prepaid expenditures | 94,136 | - | - | 94,136 |
| Total Assets | <u>\$ 888,346</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 888,346</u> |
| <u>Liabilities and Fund Balance</u> | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 36,011 | \$ - | \$ - | \$ 36,011 |
| Due to management company | 589,263 | - | - | 589,263 |
| Accrued liabilities | 1,432 | - | - | 1,432 |
| Revenue anticipation note | 24,406 | - | - | 24,406 |
| Deferred revenue | 12,501 | - | - | 12,501 |
| Total Liabilities | <u>663,613</u> | <u>-</u> | <u>-</u> | <u>663,613</u> |
| Fund Balance | | | | |
| Unreserved and undesignated | 224,733 | - | - | 224,733 |
| Total Fund Balance | <u>224,733</u> | <u>-</u> | <u>-</u> | <u>224,733</u> |
| Total Liabilities and Fund Balance | <u>\$ 888,346</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 888,346</u> |

The accompanying notes are an integral part of these financial statements.

OAKLAND INTERNATIONAL ACADEMY
Reconciliation of Balance Sheet of Governmental Funds To Net Assets
June 30, 2008

| | |
|--|------------|
| Total Fund Balances - Governmental Funds | \$ 224,733 |
|--|------------|

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

| | |
|-----------------------------------|----------|
| The cost of the capital assets is | 962,985 |
| Accumulated depreciation is | (75,921) |

Long-term liabilities are not due and payable in the current
period and are not reported in the funds.

| | |
|---------------|-----------|
| Notes payable | (522,000) |
|---------------|-----------|

| | |
|---|-------------------|
| Total Net Assets - Government Activities (Academy Wide) | <u>\$ 589,797</u> |
|---|-------------------|

The accompanying notes are an integral part of these financial statements.

OAKLAND INTERNATIONAL ACADEMY
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2008

| | <u>General</u> | <u>Food Service</u> | <u>Capital Projects</u> | <u>Totals</u> |
|---|-------------------|-------------------------|-----------------------------|-------------------|
| Revenue | | | | |
| Local | \$ 14,625 | \$ - | \$ - | \$ 14,625 |
| State | 3,815,813 | 15,563 | - | 3,831,376 |
| Federal | 471,025 | 214,657 | - | 685,682 |
| Total Revenue | <u>4,301,463</u> | <u>230,220</u> | <u>-</u> | <u>4,531,683</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | | | | |
| Basic programs | 1,246,446 | - | - | 1,246,446 |
| Added needs | 530,637 | - | - | 530,637 |
| Support services | | | | |
| Pupil | 96,633 | - | - | 96,633 |
| Staff | 238,657 | - | - | 238,657 |
| Administration | 921,366 | - | - | 921,366 |
| Business | 271,844 | - | - | 271,844 |
| Operation and maintenance | 737,175 | - | - | 737,175 |
| Community services | 29,813 | - | - | 29,813 |
| Transportation | 12,975 | - | - | 12,975 |
| Facilities | 65,682 | - | 682,587 | 748,269 |
| Food services | - | 274,144 | - | 274,144 |
| Interest | - | - | 10,190 | - |
| Other | - | - | - | - |
| Total Expenditures | <u>4,151,228</u> | <u>274,144</u> | <u>692,777</u> | <u>5,107,959</u> |
| Excess (Deficiency) of Revenues over Expenditures | 150,235 | (43,924) | (692,777) | (586,466) |
| Other Financing Sources (Uses) | | | | |
| Loan proceeds | - | - | 522,000 | 522,000 |
| Operating transfers in | - | 43,924 | 170,777 | 214,701 |
| Operating transfers out | (214,701) | - | - | (214,701) |
| Total Other Financing Sources (Uses) | <u>(214,701)</u> | <u>43,924</u> | <u>692,777</u> | <u>522,000</u> |
| Net Change in Fund Balances | (64,466) | - | - | (64,466) |
| Fund Balances - Beginning of Year | <u>289,199</u> | <u>-</u> | <u>-</u> | <u>289,199</u> |
| Fund Balances - End of Year | <u>\$ 224,733</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 224,733</u> |

The accompanying notes are an integral part of these financial statements.

OAKLAND INTERNATIONAL ACADEMY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

| | |
|--|-------------|
| Net Change in Fund Balances - Governmental Funds | \$ (64,466) |
|--|-------------|

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of these assets is depreciated over their
estimated useful lives.

| | |
|----------------------|----------|
| Depreciation expense | (45,990) |
| Capital outlay | 666,208 |

Proceeds from the issuance of debt are other financing sources in the
in the governmental statement of changes in fund balance but not
in the Academy Wide statement of activities

| | |
|-----------------------------|-----------|
| Proceeds from notes payable | (522,000) |
|-----------------------------|-----------|

| | |
|--|-----------|
| Change in Net Assets of Governmental Activities (Academy Wide) | \$ 33,752 |
|--|-----------|

The accompanying notes are an integral part of these financial statements.

OAKLAND INTERNATIONAL ACADEMY
Statement of Fiduciary Net Assets
June 30, 2008

Assets

| | |
|----------------------------|---------------|
| Cash, Parents organization | \$ 137 |
| Total Assets | <u>\$ 137</u> |

Liabilities

| | |
|------------------------------|---------------|
| Due to Parents organization | \$ 137 |
| Total Liabilities and Equity | <u>\$ 137</u> |

The accompanying notes are an integral part of these financial statements.

OAKLAND INTERNATIONAL ACADEMY NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

Oakland International Academy was formed as a Charter School Academy pursuant to the Michigan School Code of 1976, as amended by Act 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982.

In 1999, the Academy entered into a five-year contract with Saginaw Valley State University to charter a public school academy. The contract was extended through June 30, 2009. Under the terms of the contract, Oakland International Academy remains independent as a body corporate and governmental entity authorized by the Code. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. The Saginaw Valley State University Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Saginaw Valley State University Board of Trustees three percent of state aid as administrative fees. The total administrative fees incurred to the Saginaw Valley State University Board of Trustees for the year ended June 30, 2008, approximated \$105,698.

The Academy's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB), issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies relating to GAAP and used by the Academy are discussed below.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

OAKLAND INTERNATIONAL ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

B. Academy-Wide Statements

The statement of net assets and the statement of activities display information about the Academy as a whole. The usual purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. Currently, all activities of the Academy are considered to be governmental.

The Academy-wide statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. This basis is different from the manner in which the governmental fund financial statements are prepared. Therefore reconciliations are included to identify the relationship between the Academy-wide statements and the statements for the governmental funds.

The Academy-wide statement of activities presents a comparison between program expenses and program revenues; revenues that are not classified as direct program revenues are presented as general revenues. The comparison of program expenses and revenues identifies the extent to which each program is self-financing or draws resources from the Academy.

The Academy-wide approach is focused more on the sustainability of the Academy as an entity and the change in the Academy's net assets from the current year's activities.

C. Fund Financial Statements

The accounts of the Academy are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following fund types are used by the Academy:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the Academy.

General Fund is the general operating fund of the Academy. It is used to account for all financial resources except those that are required to be accounted for in another fund.

OAKLAND INTERNATIONAL ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements (continued)

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Academy maintains full control of this fund. The Special Revenue Fund maintained by the Academy is the Food Service Fund.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others; therefore these funds are not available to support Academy programs. The emphasis in fund financial statements is on the major funds. The Academy has opted to display information for all funds without regard to the criteria for determination of major funds. The Academy's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used for activities or obligations of the government, these funds are not incorporated in the government-wide statements.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

The full accrual basis of accounting requires recognition of revenues when earned and expenses when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This method is used for the Academy-wide statements.

Modified Accrual

The modified accrual basis recognizes revenues when they are measurable and available, available means collectible with the current period or within 60 days after year-end. Expenditures are still recognized when incurred; however, principal and interest on long-term debt is recognized when payment is due. This method is used for the fund level statements.

OAKLAND INTERNATIONAL ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

The most significant difference between the full accrual basis of accounting and the modified accrual basis of accounting is the way in which capital assets and long-term debt are recognized. The full accrual basis of accounting recognizes purchases of capital assets as an asset and long-term debt proceeds as a liability (similar to a for-profit business). The modified accrual basis of accounting recognizes the purchase of capital assets as expenditures and long-term debt proceeds as other revenue sources.

E. Financial Statement Amounts

Cash

Cash includes cash on hand and demand deposits.

Receivables

Receivables consist of all revenues earned at year-end but not yet received.

Prepaid Expenses

Prepaid amounts consist of payments for which the Academy will have a future benefit and will be used up at a date beyond the current year-end. Prepaid amounts are accounted for using the consumption method.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation expense totaling \$45,990 has been allocated to instruction (\$3,258), support (\$8,206), and facilities (\$34,526).

The Academy does not possess infrastructure type assets. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

| | |
|-------------------------|------------|
| Furniture and equipment | 5-20 years |
| Leasehold improvements | 3-10 years |

OAKLAND INTERNATIONAL ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts (continued)

No depreciation is recorded in the initial year that the asset is placed in service.

Accounts Payable

Accounts payable consist of items from which the Academy benefited during the current fiscal year but has not yet paid.

Revenue Anticipation Note

The revenue anticipation note relates to short-term borrowings for cash flow purposes.

Notes Payable

Notes payable consist of short-term and long-term borrowings issued for the purpose of making capital purchases and improvements.

Deferred Revenue

Deferred revenue represents amounts for which the Academy has received, but has not yet earned. Deferred revenue is usually caused by the receipt of grant program revenues in excess of expenses/expenditures related to the grant. The revenues are deferred until the proceeds have been fully expensed/expended.

Due to Management Company

Due to Management Company consists of administrative fees that are due and payable for the current fiscal year.

Inter-fund Activity

Inter-fund activity is reported as transfers and is eliminated upon consolidation.

NOTE 2--Stewardship, Compliance, and Accountability

The Academy formally adopted a General Fund budget by activity for the year ended June 30, 2008. State law requires the Academy to have its budget in place by July 1. Unexpended appropriations lapse at year-end; encumbrances are not formally recorded.

OAKLAND INTERNATIONAL ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2--Stewardship, Compliance, and Accountability (continued)

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. Budgeted amounts presented in the financial statements are amended by the Board of Directors. State law permits Academies to amend their budgets during the year. The budgetary comparison presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

Expenditures in excess of amounts budgeted are a violation of Michigan law. The Academy did have significant expenditure budget variances as illustrated in the required supplemental information.

NOTE 3--Deposits and Investments

The Academy is authorized, by the State of Michigan, to deposit its fund in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Academy is also authorized to invest in the following:

- a. Direct bonds and obligations of the U.S. or agency or instrumentality,
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. Commercial paper – within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. Banker's acceptance of U.S. banks, and
- f. Mutual funds – investments which local unit can make directly.

As of year-end, the carrying amount of the Academy deposits was \$34,016 and the bank balance was \$105,140. The Academy had an uninsured bank balance of \$5,140 at June 30, 2008. The Academy does not hold any investments and does not have an investment policy. However, the Board is in the process of adopting an investment policy.

**OAKLAND INTERNATIONAL ACADEMY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4--Capital Assets and Accumulated Depreciation

Capital asset activity of the Academy was as follows:

| | Balance July 1, 2007 | Additions | Disposals | Balance June 30, 2008 |
|--|-------------------------|-------------------|-------------|--------------------------|
| Capital assets not subject to depreciation | | | | |
| Land | \$ 100,550 | \$ 39,190 | \$ - | \$ 139,740 |
| Subtotal | <u>100,550</u> | <u>39,190</u> | <u>-</u> | <u>139,740</u> |
| Capital assets subject to depreciation | | | | |
| Equipment and furniture | 39,757 | - | - | 39,757 |
| Leasehold improvements | 156,470 | 627,018 | - | 783,488 |
| Subtotal | <u>196,227</u> | <u>627,018</u> | <u>-</u> | <u>823,245</u> |
| Total Capital Assets | <u>296,777</u> | <u>666,208</u> | <u>-</u> | <u>962,985</u> |
| Accumulated depreciation | | | | |
| Leasehold improvements | 13,791 | 42,346 | - | 56,137 |
| Equipment and furniture | 16,140 | 3,644 | - | 19,784 |
| Total Accumulated Depreciation | <u>29,931</u> | <u>45,990</u> | <u>-</u> | <u>75,921</u> |
| Total Net Capital Assets | <u>\$ 266,846</u> | <u>\$ 620,218</u> | <u>\$ -</u> | <u>\$ 887,064</u> |

NOTE 5--Lease Commitments

The Academy rents two buildings from the Islamic Mosque of Yemen of Detroit in Hamtramck. The first building houses the Academy's elementary school operation under a ten-year lease agreement. The Academy paid \$250,000 in connection with this lease during the year ended June 30, 2008. The second building houses the Academy's middle/high school operation. The Academy paid construction cost of \$282,400 for the building prior to taking occupancy. Under the terms of the lease agreement, the Academy will be able to occupy the building rent free for a period of three years. The Academy recognized rent expense related to this lease agreement of \$94,131 during the year ended June 30, 2008. The remaining balance \$(94,136) is recorded as prepaid expense. Rent expense of \$94,136 will be recognized as rent expense in the upcoming fiscal year.

NOTE 6--Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. During the year ended June 30, 2008, the Academy carried commercial insurance for the above listed risks of loss.

OAKLAND INTERNATIONAL ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7--Management Agreement

On August 1, 2006, the Academy entered into a management agreement with Education and Management Networks, Inc. (EMAN). The agreement covers four academic years with the entire term to end on August 31, 2010. Under the terms of the agreement EMAN is responsible (accountable to the Academy's Board of Directors) for the management of the school, the design of the school's educational program, strategic planning, public relations, and other special functions, to include financial services, assistance with compliance reporting, and assistance with the purchase of equipment and furniture. The Academy pays EMAN 72% of all governmental school aid, grants, or other funding payments in exchange for these services. For all programs or services consisting of meals, transportation, special education and all related services, at-risk programming or services, bilingual instruction, gifted programming or services, and Eisenhower Professional Development, EMAN receives 100% of all funds allocated to these programs or services or to the child receiving the benefit of those programs or services. The total management fee expensed by Oakland International Academy for the year ended June 30, 2008 approximated \$414,640.

NOTE 8--Total Columns

Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America; nor is such data comparable to consolidation.

NOTE 9--Pension Plan

The Academy's defined benefit pension plan provides retirement, survivor and disability benefits to its employees. The Academy participates in the Michigan Public School Employees Retirement System (MPERS), a cost sharing multiple-employer, statewide plan governed by the State of Michigan. Benefit provisions are established by state statute. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the MPERS Directors, PO Box 30673, Lansing, Michigan 48909 or by calling (517) 322-6235.

Funding Policy

The School District is required to contribute at an actuarially determined rate; the current rate is 16.72% of covered payroll. The contribution requirements are established and may be amended by the State of Michigan.

The Academy's contribution to MPERS for the year ended June 30, 2008 was \$9,451.

OAKLAND INTERNATIONAL ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10--Short-Term Debt

The Academy's short-term debt consists of a state aid anticipation note bearing interest of 6.65% with a balance of \$24,406 due in July 2008. A summary of short-term transactions follows:

| | Balance July 1, 2007 | Additions | Retirements | Balance June 30, 2008 |
|-----------------------------|-------------------------|-------------------|-------------------|--------------------------|
| Governmental Activities | | | | |
| State Aid anticipation note | \$ 17,500 | \$ - | \$ 17,500 | \$ - |
| State Aid anticipation note | - | 250,000 | 225,594 | 24,406 |
| Demand note - Comerica Bank | 25,000 | - | 25,000 | - |
| Totals | <u>\$ 42,500</u> | <u>\$ 250,000</u> | <u>\$ 268,094</u> | <u>\$ 24,406</u> |

NOTE 11--Long-Term Debt

The Academy's long-term debt consists of two notes payable. The first is a note payable with Education and Management Networks in the amount of \$250,000. The note is payable in full in July 2010. The note is interest free if completely repaid by the due date of the note. Interest will accrue at 9% on any unpaid balance after the note matures. The second is a note payable to City First Bank of D.C. in the amount of \$272,000 that charged interest of 6.15% during the year ended June 30, 2008. The Academy incurred interest expense related to this note of \$10,190 during the past fiscal year. The note was refinanced and the entire principle amount of \$272,000 is to be paid in full on July 2, 2009. The new note charges a fixed rate of interest based on the six month CDARS rate plus two hundred basis points (2%).

| | Balance July 1, 2007 | Additions | Retirements | Balance June 30, 2008 |
|--------------------------------|-------------------------|-------------------|-------------|--------------------------|
| Note payable - EMAN | \$ - | \$ 250,000 | \$ - | \$ 250,000 |
| Note payable - City First Bank | - | 272,000 | - | 272,000 |
| Totals | <u>\$ -</u> | <u>\$ 522,000</u> | <u>\$ -</u> | <u>\$ 522,000</u> |

REQUIRED SUPPLEMENTAL INFORMATION

OAKLAND INTERNATIONAL ACADEMY
Budgetary Comparison
For the Year Ended June 30, 2008

| | General Fund | | | Special Revenue Fund (Food Service) | | | Capital Projects Fund | | |
|--|--------------------|-------------------|-------------------|--|-----------------|----------------|-----------------------|-----------------|----------------|
| | Original Budget | Final Budget | Actual | Original Budget | Final Budget | Actual | Original Budget | Final Budget | Actual |
| Revenue | | | | | | | | | |
| Local | \$ 7,000 | \$ 19,010 | \$ 14,625 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State | 3,843,300 | 3,814,785 | 3,815,813 | - | - | 15,563 | - | - | - |
| Federal | 350,000 | 457,057 | 471,025 | 250,000 | 250,000 | 214,657 | - | - | - |
| Incoming transfers and other | - | - | - | - | - | 43,924 | 522,000 | 687,000 | 692,777 |
| Total Revenues | <u>4,200,300</u> | <u>4,290,852</u> | <u>4,301,463</u> | <u>250,000</u> | <u>250,000</u> | <u>274,144</u> | <u>522,000</u> | <u>687,000</u> | <u>692,777</u> |
| Expenditures | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | | | | | | | | | |
| Basic programs | 965,000 | 1,193,674 | 1,246,446 | - | - | - | - | - | - |
| Added needs | 373,783 | 529,498 | 530,637 | - | - | - | - | - | - |
| Support services | | | | | | | | | |
| Pupil | 206,155 | 94,285 | 96,633 | - | - | - | - | - | - |
| Staff | 109,979 | 232,129 | 238,657 | - | - | - | - | - | - |
| Administration | 781,249 | 970,201 | 921,366 | - | - | - | - | - | - |
| Business | 560,000 | 274,483 | 271,844 | - | - | - | - | - | - |
| Operation and maintenance | 748,128 | 670,239 | 737,175 | - | - | - | - | - | - |
| Community services | 18,000 | 29,813 | 29,813 | - | - | - | - | - | - |
| Transportation | 10,000 | 12,458 | 12,975 | - | - | - | - | - | - |
| Facilities | 220,000 | 65,874 | 65,682 | - | - | - | 522,000 | 687,000 | 682,587 |
| Debt service | 110,400 | - | - | - | - | - | - | - | 10,190 |
| Food services | 60,000 | 43,086 | - | 250,000 | 250,000 | 274,144 | - | - | - |
| Outgoing transfers and other | 25,000 | 165,000 | 214,701 | - | - | - | - | - | - |
| Total Expenditures | <u>4,187,694</u> | <u>4,280,740</u> | <u>4,365,929</u> | <u>250,000</u> | <u>250,000</u> | <u>274,144</u> | <u>522,000</u> | <u>687,000</u> | <u>692,777</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 12,606 | 10,112 | (64,466) | - | - | - | - | - | - |
| Fund Balance - Beginning of Year | 289,199 | 289,199 | 289,199 | - | - | - | - | - | - |
| Fund Balance - End of Year | <u>\$ 301,805</u> | <u>\$ 299,311</u> | <u>\$ 224,733</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

OTHER SUPPLEMENTAL INFORMATION



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 1, 2008

To the Board of Directors
Oakland International Academy
Detroit, Michigan

We have audited the financial statements of Oakland International Academy as of and for the year ended June 30, 2008, and have issued our report thereon dated December 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Oakland International Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oakland International Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Oakland International Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Oakland International Academy's financial statements that is more than inconsequential will not be prevented or detected by Oakland International Academy's internal control.

To The Board of Directors
Page Two
December 1, 2008


A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Oakland International Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider those deficiencies described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting as items 2008-1 and 2008-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oakland International Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

Oakland International Academy
Schedule of Findings and Responses
June 30, 2008

| <u>Finding</u> | | <u>Effect on Fund Balance</u> |
|-----------------|--|-----------------------------------|
| 2008-1 | Failure to record all of the audit adjustments for the 2006/07 fiscal year. | \$ (60,197) |
| 2008-2 | Failure to record building rent expense related to prepaid amounts in the proper accounting period. | \$ (94,131) |
| <u>Response</u> | | |
| 2008-1 | The management company and the Academy will review accounting procedures to ensure that all adjusting journal entries are recorded and agree the beginning fund balance to the prior years' ending fund balance. | |
| 2008-2 | The management company and the Academy will review accounting procedures to ensure that all prepaid expenses are recorded as expense in the proper accounting period. | |



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacomo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR-A133

December 1, 2008

Board of Directors
Oakland International Academy

Compliance

We have audited the compliance of the Oakland International Academy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of the Oakland International Academy are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Oakland International Academy's management. Our responsibility is to express an opinion on the Oakland International Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Oakland International Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Oakland International Academy's compliance with those requirements.

In our opinion Oakland International Academy complied, in all material respects, with the requirement referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Oakland International Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Oakland International Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oakland International Academy's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type or compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as described above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as described above.

To the Board of Directors
Oakland International Academy
Page Three

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Barbara, Provenzano, Schauman & Thomas
Certified Public Accountants

OAKLAND INTERNATIONAL ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

| Federal/Grantor Pass-Through Grantor/ Program Title | Federal CFDA Number | Grant ID Number | Grant Amount | Accrued (Deferred) Revenue July 1, 2007 | (Memo Only) Prior Year Expenditures | Current Year Expenditures | Current Year Receipts | Accrued (Deferred) Revenue July 1, 2008 |
|--|---------------------------|-----------------------|-------------------|---|---|---------------------------------|-----------------------------|---|
| Department of Agriculture Passed through State of Michigan National School Lunch Breakfast Program | 10.553 | 081970 0708 | \$ 73,988 | \$ - | \$ - | \$ 73,988 | \$ 73,988 | \$ - |
| National School Lunch Section 4 Lunches | 10.555 | 071950 0607 | 1,183 | - | - | 1,183 | 1,183 | - |
| National School Lunch Section 4 Lunches | 10.555 | 081950 0708 | 13,073 | - | - | 13,073 | 13,073 | - |
| National School Lunch Section 11 Free and Reduced | 10.555 | 071980 0607 | 9,817 | - | - | 9,817 | 9,817 | - |
| National School Lunch Section 11 Free and Reduced | 10.555 | 081980 0708 | 113,114 | - | - | 113,114 | 113,114 | - |
| National School Lunch Snacks | 10.555 | 081980 0708 | 3,483 | - | - | 3,483 | 3,483 | - |
| Total Department of Agriculture | | | <u>214,658</u> | <u>-</u> | <u>-</u> | <u>214,658</u> | <u>214,658</u> | <u>-</u> |
| Department of Education Passed through State of Michigan Title I | 84.010 | 081530 0708 | 368,378 | - | - | 361,092 | 361,092 | - |
| Title I | 84.010 | 071530 0607 | 311,036 | 19,268 | 258,612 | 19,268 | - | - |
| Title I | 84.010 | 051520 0506 | 3,000 | - | - | 3,000 | 3,000 | - |
| Schoolwide Planning | 84.010A | 071520 0708 | 1,500 | - | - | 1,500 | 1,500 | - |
| Title II Part D | 84.318 | 084290 0708 | 3,151 | - | - | 3,151 | 3,151 | - |
| Title III Limited English | 84.365A | 080580 0708 | 55,164 | - | - | 52,069 | 52,069 | - |
| Title II Part A | 84.367 | 080520 0708 | 13,396 | - | - | 12,992 | 12,992 | - |
| Title V Part A | 84.298 | 080250 0607 | 2,560 | - | - | 2,544 | 2,544 | - |
| Service Provider Self Review | 84.027 | 080440 0708 | 4,000 | - | - | 4,000 | 4,000 | - |
| Passed through Intermediate District IDEA | 84.027 | 070450 0708 | 11,408 | - | - | 11,408 | 11,408 | - |
| Total Department of Education | | | <u>773,593</u> | <u>19,268</u> | <u>258,612</u> | <u>471,024</u> | <u>451,756</u> | <u>-</u> |
| Grand Totals | | | <u>\$ 988,251</u> | <u>\$ 19,268</u> | <u>\$ 258,612</u> | <u>\$ 685,682</u> | <u>\$ 686,414</u> | <u>\$ -</u> |

See Notes to Schedule of Expenditures of Federal Awards

OAKLAND INTERNATIONAL ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1--Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Oakland International Academy and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2--Grant Section Auditor's Report

Management has utilized Form R-7120 in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

OAKLAND INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? ☒ Yes ☐ No

• Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s)?

• Material weakness(es) identified? ☐ Yes ☒ No

• Significant deficiencies identified that are not Considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program(s):

| <u>CFDA Number(s)</u> | <u>Name of Federal Program of Cluster</u> |
|-----------------------|---|
| 84.010 | Title I |

Dollar threshold to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee? ☐ Yes ☒ No

See Notes to Schedule of Expenditures of Federal Awards.

OAKLAND INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Audit Findings

| Reference Number | Findings |
|---------------------|---|
| Finding 2008-1 | <p>Failure to record all of the audit adjustments for the 2006/07 fiscal year.</p> <p><u>Criteria:</u></p> <p>Record all of the adjusting journal entries for each fiscal year's audit.</p> <p><u>Effect:</u></p> <p>Unadjusted General Fund Balance overstated by \$60,197.</p> <p><u>Recommendation:</u></p> <p>Compare ending balance of financial position accounts at year end to the audited financial position account balances, investigate differences, and make appropriate adjustments.</p> <p><u>Management's Response:</u></p> <p>The management company and the Academy will review accounting procedures to ensure that all adjusting journal entries are recorded and agree the beginning fund balance to the prior year's ending fund balance.</p> |

See Notes to Schedule of Expenditures of Federal Awards.

OAKLAND INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Audit Findings

| Reference Number | Findings |
|---------------------|--|
| Finding 2008-2 | <p>Failure to record building rent expense related to prepaid amounts in the proper accounting period.</p> <p><u>Criteria:</u></p> <p>Record expenditures in the period in which they occurred.</p> <p><u>Effect:</u></p> <p>Unadjusted General Fund Balance overstated by \$94,131.</p> <p><u>Recommendation:</u></p> <p>Compare ending balance of financial position accounts at year end to expected ending balance, investigate differences, and make appropriate adjustment.</p> <p><u>Management's Response:</u></p> <p>The management company and the Academy will compare the ending balance of financial position accounts at year end to the expected ending balance, investigate differences and make appropriate adjustment.</p> |

See Notes to Schedule of Expenditures of Federal Awards.

OAKLAND INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section III – Federal Program Audit Findings

| Reference Number | Findings |
|---------------------|----------|
| None | |

See Notes to Schedule of Expenditures of Federal Awards.

OAKLAND INTERNATIONAL ACADEMY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section IV – Federal Program Audit Findings

| Reference Number | Findings |
|---------------------|--|
| 07-01 | <p>Program Name – CFDA #84.010 – Title I</p> <p>Pass-through Entity – Michigan Department of Education</p> <p>Finding Type – Material noncompliance, reportable condition</p> <p>Criteria – In accordance with OMB Circular A-87, the cost of fringe benefits in the form of employer contributions or expenses for social security are allowable under the grant. Amounts withheld from employees for federal, state, and local income taxes are not allowable under the grant.</p> <p>Condition – Employee withholdings for federal, state, and local income taxes were reported as costs under the grant and requested for reimbursement.</p> <p>Questioned Costs - \$17,558</p> <p>Context – Employee withholding for federal, state, and local income taxes were reported as costs under the grant. The total amount tested was \$205,293 with questioned costs of \$17,558. The total expenditures for this grant were \$258,612.</p> <p>Cause – Incorrectly charged amounts withheld from employees for federal, state, and local income taxes to the program.</p> <p>Effect - \$17,558 of benefits charged to the program are questioned due to the fact that this amount is not an allowable expense under the grant. This portion appears to have been counted twice in determining the amounts submitted for reimbursement.</p> <p>Recommendation – Review procedures for determining the costs that are allowable under the grant and submit only allowable costs for reimbursement.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The management company and the Academy will review procedures for calculating amounts expended under the grant agreement and will modify those procedures to ensure that only costs that are allowable under the grant agreement are submitted for reimbursement.</p> <p>Current Status – Corrective action was taken. No similar finding noted in 2008 audit.</p> |

See Notes to Schedule of Expenditures of Federal Awards.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

December 1, 2008

Board of Directors
Oakland International Academy

We appreciate the opportunity to conduct your audit this year. As we have discussed with you previously, we are writing to you as we complete the audit to communicate any control deficiencies we identified to be significant deficiencies or material weaknesses.

This communication is a requirement of the new auditing standard: **Statement on Auditing Standards (SAS 112): Communicating Internal Control Related Matters Identified in an Audit**. The new standard applies to the audits of any financial statements with periods ending on or after December 15, 2006.

In planning and performing our audit of your financial statements for period ending June 30, 2008, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting (internal control) as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. Accordingly, as a part of your audit, we are not expressing an opinion on the effectiveness of your internal control.

Our consideration of internal control was for the limited purpose of conducting your organization's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did identify certain deficiencies in internal control that we consider to be material weaknesses that are discussed below. It is important to note that control deficiencies are not necessarily problems you will choose to address; however, they do represent potential risks. Our job as your auditors is to ensure that you understand where you have these deficiencies or weaknesses so that you can make informed business decisions on how best to respond to these risks. Significant deficiencies and material weaknesses are defined below.

Significant Deficiencies

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects your entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of your financial statements that is more than inconsequential will not be prevented or detected by your internal control.

Material Weaknesses

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by your internal control. We believe that the following deficiencies constitute material weaknesses:

Condition: Failure to record all of the audit adjustments for the 2006/07 fiscal year.

Recommendation: Compare the ending balance of financial position accounts at year end to the audited financial position account balances, investigate differences, and make appropriate adjustments.

Condition: Failure to record building rent expense related to prepaid amounts in the proper accounting period.

Recommendation: Compare the ending balance of financial position accounts at year end to the expected ending balances, investigate differences, and make appropriate adjustments.

This written communication related to significant deficiencies and material weaknesses identified during this year's audit is intended solely for the information and use by your management, those charged with your organization's governance, others you deem appropriate within your organization, and any governmental authorities you need to share this information with. It is not intended for use by anyone other than these specified parties.

Board of Directors
Oakland International Academy
December 1, 2008
Page Three

We are available to answer any questions that you may have related to the control deficiencies we identified during your audit or discuss the benefits and associated costs of any options you have for remedying them if you would like to do so. If you would like to set up a meeting to discuss this communication or your organization's internal control, please feel free to contact me.

We appreciate the opportunity to conduct your organization's audit.

Sincerely,


Certified Public Accountants